

COMMONWEALTH OF VIRGINIA

SENATOR MAMIE LOCKE, Chair
DELEGATE DANIEL MARSHALL, III, Vice-chair
ELIZABETH A. PALEN, Executive Director



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VIRGINIA HOUSING COMMISSION

SUMMARY

Virginia Housing Commission
December 10, 2014, 10:00 AM
House Room C, General Assembly Building

I. Call to Order

Senator Mamie Locke, Chair, called the meeting to order at 10:00 AM.

Members in attendance: Senator Mamie E. Locke, *Chair*; Delegate Daniel W. Marshall, III, *Vice-chair*; Senator George L. Barker; Senator John C. Watkins; Delegate David L. Bulova; Delegate Barry D. Knight; Delegate Christopher K. Peace; Mark K. Flynn, *Governor Appointee*; T.K. Somanath, *Governor Appointee*; and Laura D. Lafayette, *Governor Appointee*.

Staff: Elizabeth Palen, *Executive Director of VHC*

II. Election of Chair

- **Delegate Danny Marshall was elected by the Commission to serve as its next chair.**
- **Senator Mamie Locke was elected by the Commission to serve as its next vice-chair.**

III. Executive Order 32 *Advancing Housing Policy*

- **Susan Dewey, Executive Director, Virginia Housing Development Authority (VHDA):**
The administration is committed to the development and implementation of a focused state housing policy agenda that will enable progress in meeting critical housing needs. Key housing priorities have been identified, including expanding efforts to address homelessness, further efforts to aid those with disabilities, addressing housing needs of the senior population, ensuring housing is an important contributors to Virginia's economic recovery, and that economic development investments further the revitalization of our urban and rural communities.
 - The executive order directs us to identify and implement actions to enable quality, affordable housing. The order authorizes Secretary Jones to establish working groups to provide for stakeholder input. Secretary Jones will also establish a core advisory body from core community leaders to address this effort; and once the advisory body is created, there will be a meeting in February, and additional number of sub committees will be established.
 - Throughout this process, we are committed to work closely with the Housing Commission.

DELEGATE DANIEL W. MARSHALL, III
DELEGATE DAVID L. BULOVA
DELEGATE ROSALYN R. DANCE
DELEGATE BARRY D. KNIGHT
DELEGATE CHRISTOPHER K. PEACE

SENATOR MAMIE E. LOCKE
SENATOR JOHN C. WATKINS
SENATOR GEORGE L. BARKER

MARK K. FLYNN
LAURA D. LAFAYETTE
T.K. SOMANATH

- **Locke:** Has there been discussion on the Housing Trust Fund
 - **Dewey:** I anticipate discussion of that in our meeting in our initial meeting in February.

IV. Discussion and Recommendation of Bills

1. Retaliation by Landlord/Virginia Residential Landlord and Tenant Act (HB 820, A. Lopez, 2014) (*bill draft)

- **Christie Marra, Virginia Poverty Law Center:** The draft before you clarifies the existing law that prohibits retaliatory action by landlords. The language has been strengthened, and the prohibition to the Virginia Residential Landlord and Tenant Act (VRLTA) has been added.
- **Chip Dicks, Virginia Association of Realtors:** All new language is taken verbatim from the existing VRLTA, except for striking of the word “primary” on line 64.
- **Elizabeth Palen, Executive Director, Virginia Housing Commission:** This draft was heard in the workgroup meeting yesterday, but we did not have a quorum to move the appropriate recommendation.
- **It was moved and seconded that the Commission endorse this bill draft.**
- **The motion passed.**
- **Marshall:** Did Lopez want to be the patron of this bill?
 - **Marra:** Yes, that was my understanding.

2. Inspection by Landlord of Manufactured Homes (*bill draft)

- **Senator George Barker:** Currently, we have provisions relating to landlords and tenants as to when the landlords can enter a unit, but there is no law relating to similar situations with manufactured homes. In the absence of language in the code, it is currently covered in rental agreements, and they are inconsistent.
 - This is a situation with competing property rights. The owner of the manufactured home may own their unit, but they rent the land. We tried to find a middle group to provide some reasonable access to ensure compliance.
 - The park owner would have access to home units under three circumstances: 1) An annual check to ensure compliance, 2) emergency situations, 3) when there is reason to suspect the terms in the rental agreement are not being met.
- **Delegate Knight:** What if a manufactured home had a water or sewage issue that needed to be resolved, and the owner refused to address the issue. In these situations, would the park owner only be allowed to inspect the unit once a year?
 - **Barker:** I believe the scenarios you describe would be part of the rental agreement and then would fall under the third circumstance of entry. This is not limited to one annual inspection, but allows entry whenever there is reason to suspect noncompliance with the lease agreement.

- **Delegate Bulova:** I see no Terms of Service Agreement or Contractor Rental Agreement that is specific to the rights on the park owner. Can we have such legislation that would trump something so specific in terms of a contract? And when would this come into effect?
 - **Barker:** We had not yet discussed that, but we can add language to indicate that it would not replace an existing rental agreement but would apply to renewals and new agreements.
- **Marshall:** I have not had this issue in my part of the state, and it is my suggestion to not make this statewide. We can apply this to northern Virginia area, where this had been an issue.
 - **Barker:** I am not opposed to that, but I believe this is an issue that should be addressed statewide at some point.
- **Dance:** Was there a consensus?
 - **Barker:** No, there was on consensus on whether this should be applied statewide.
- **Mark Flynn, Governor Appointee:** The language is more clear if these phrases are separated into two sentences: “the landlord has the right to enter the dwelling unit no more than once per year to verify compliance with the terms and conditions of the rental agreement “ and “further, the landlord should have the right to enter the dwelling unit to (1) make repairs necessary or (2) if the landlord has reason to believe...”. This makes year that the second sentence is not subject to the one-year restriction.
 - **Barker:** I’m happy to make that change.
- **Marra:** This applies to situation where an individual owns their home, which happens to be a manufactured home. We believe this is a huge imposition on their property rights as a homeowner for the landlord to have a statutory right to enter their home to ensure compliance with the lot lease. The park owner should be able to look at the lot itself, and not inside the home, to ensure lease compliance and system maintenance.
- **Bulova:** Does the language proposed here improve the situation, or does it institutionalize it in a way that does not make it better.
 - **Marra:** I would say it institutionalizes it in a way that does not improve the situation. If language were added to require notice of these proposed annual inspection, that would be an improvement as it limits what is occurring now.
- **Senator Watkins:** Are these units classified as a “home” although they pay no real-estate taxes, but personal property taxes on the units?
 - **Marra:** Yes, manufactures homes are legally classified as personal property, which are registered with the Department of Motor Vehicles, and, in this case, would technically qualify as such.
- **Watkins:** This may not be the appropriate vehicle to address this issue.

- **It was moved that the Commission endorse this provision as amended.**
- **There was no second.**
- **Bulova:** While this is an issue that needs more work, and I hope we will continue our efforts and address it in the future.

3. **Foreclosure Timeshare Deed of Trust/Public Notice/Advertising (*bill draft)**

- **Bulova:** The recommendation from the work group was unanimous that this moves forward and be endorsed by the Commission. The Press Association withholds the right to look at this in more detail, and return during session.
- **Delegate Barry Knight:** This bill regards advertising of timeshares under foreclosure. As opposed to putting up an advertisement in the paper for each individual timeshare under foreclosure, this legislation would allow one generic notice to be placed, giving a phone number and/or web address for the consumer to use at their discretion. The consumer can then flesh out specifics on individual timeshare units.
 - There will be less advertising in the newspaper, and they will receive less revenue. However, I support this as it costs the consumer less.
- **Bulova:** The language may look familiar because there is already a precedent for these changes.
- **There was a motion and second to endorse the bill draft.**
- **The motion passed**

4. **Funding clean Energy Programs/P.A.C.E. (*bill draft)**

- **L. Preston Bryant Jr, Sr. Vice President Infrastructure and Economic Development, McGuireWoods Consulting:** The bill authorizes local government by ordinance to set up a loan program for energy efficiency projects and for water efficiency projects. This is for commercial properties only, but does include multifamily properties for five or more units. There is a suggestion to exclude condominiums, and we are accepting of such an amendment.
 - All loans are from private lending institutions, and are repaid through a property assessments issued by the local government. This is permissive for the local government and voluntary for the property owner. The Bankers are protected, too, as the lending institution is given the authority to approve the loan.
 - We found a lot of interest in this program from jurisdictions and lending institutions.
- **Bulova:** I appreciate everyone's effort, and we are continuing to get endorsements from various stakeholders.
- **Knight:** Would this be applicable to condominiums units?
 - **Bryant:** As currently written, yes, but we are not opposed to exclude condominiums. This does not apply to single-family units.

- **Knight:** How many people vote to make it be voluntary? A simple majority or super majority?
 - **Bryant:** The property owner enters into the voluntary special assessment.
- **Knight:** In a situation of multifamily units with more than one property owner, what if three out of five owners agree to sign for the loan, does that qualify as voluntary?
 - **Bill Greenleaf, Executive Director, Richmond Energy Alliance:** This bill does not carry over to residential, so it may exclude that particular situation. Language may need to be added to address that issue.
- **Watkins:** I suggest condominiums be excluded.
 - **Bryant:** You have our commitment to do that.
- **Watkins:** What is the accounting on this in terms of depreciation? Does the property owner then have the ability to depreciate a significant investment over a period of, say, ten years; and what if P.A.C.E payments continue after that ten-year period?
 - **Greenleaf:** Since the property owner owns the boiler, I assume it would depreciate like any other piece of equipment. Regarding the longevity question, I do not know.
- **Watkins:** Is there interest on the loan?
 - **Greenleaf:** Yes.
- **Watkins:** Does he write the interest off on an annual basis?
 - **Greenleaf:** He could. It would be treated as a traditional bank loan.
- **T. K. Somanath:** Who gets the tax credits either from the state or federal government.
 - **Bryant:** There are no tax credits.
- **Somanath:** When you install the equipment, like solar equipment?
 - **Bryant:** Under renewable energy, tax credits go to the owner.
- It was moved and seconded that the Commission endorse the draft legislation (given the proviso that condominiums are excluded).
- The motion passed.

5. **National Register of Historic Places (HB 1198, S. Surovell, 2014)**

- **Palen:** To designate schools that are fifty years or older to be designated as historic place, a staff person and a fairly high cost are required. We did not recommend this with that cost in place. The workgroup thought this was worthwhile, but it needed more study next year.

6. **Asbestos, Lead and Home Inspectors (SB 299, A. Ebbin, 2014)**

- **Palen:** Through the asbestos sub committee, two letters were asked to be sent. One was sent to the Department of Housing and Community Development (DHCD)

asking them to add training modules regarding asbestos to the Virginia Building Code Academy. DHCD was agreed to our request.

- Second, letters were sent to let all appropriate parties know that asbestos signage is needed in both Spanish and English. However, we received a letter from Senator Ebbin detailing the topic discussed was not what he had originally intended. He had constituents who were licensed asbestos inspectors, and we were looking to address those who were not yet licensed.
- We would like to look at this again next session to address the issue of already licensed asbestos inspectors.

7. **Expedited Evictions/Virginia Residential Landlord and Tenant (SB 354, J. Edwards, 2014)**

- **Palen:** It was found that there do exist provisions in the code that allow for expedited evictions, and no new legislation needed.

V. 2015 Housing Stats/Sales and Projections

- **Sonya Waddell, *Regional Economist, The Federal Reserve Bank of Richmond*:** We have seen a continued recovery in Virginia housing, but it is slowing. There is a consistent decline in the percentage and number of the foreclosure inventory since the first quarter of 2011. We are seeing the number of loans in foreclosure decline, while the number of mortgages originated holds steady.
 - Virginia is ranked 43 in total inventory of foreclosure across all states and DC; so only eight states had lower foreclosure inventory rates. The total inventory rate is related to the number of loans entering the foreclosure process and to the length of time a loan stays in foreclosure. The foreclosure process in a state, thus, can affect the inventory rate.
 - Foreclosure starts have also been falling in Virginia, with 4,440 new foreclosures in the 3rd quarter of 2014. We are seeing high number of homes entering foreclosures, but considerably lower number than we have seen in the past.
 - We are seeing a return to normal regarding the share of foreclosure inventory in Virginia. In the 2014 3rd quarter, the share of FHA and VA loans increase and share of subprime and prime decrease.
 - There is a continued decline in the 90+ day delinquency rate, with 1.8% of the mortgage inventory in 90+ day delinquency.
 - The shadow inventory peaked in Virginia at 81,000 loans in the first quarter of 2009. Now, in the 3rd quarter of 2014 about 38,000 are in the shadow inventory and that continues to decline.
 - There has been an upwards trend with home sales nationally, especially existing home sales. There is a national slowing or housing market growth, but there is a general upward trend.
 - This is true for the house price index as well. Virginia House price growth has been slowing, and is lower than that of the US. However, we are seeing positive

year over year changes. Over the twelve month ending in October 2014, Virginia saw a 1.7% increase in house prices. Most of areas in Virginia saw positive growth, but Harrisonburg, Lynchburg, and Danville saw a decline in house prices over the past year.

- Percentage of total owner-occupied loans in 90+ day delinquency is spread relatively evenly across the state, with numbers varying from quarter to quarter.
- The slowing growth of the housing market in Virginia is related to labor markets. US construction employment has been increasing more than Virginia construction employment. The Virginia labor markets are struggling, particularly in the important Professional and Business Services sector, which will affect the housing market.
- The large role of the federal government in Virginia's economy has been, over time, both positive and negative for the Virginia economy.
- **Marshall:** We hear that the reason that unemployment is down is because people are removing themselves from the labor force and stopped applying for jobs.
 - **Waddell:** Yes, in Virginia the labor force participation rate has been declining. The labor force includes employed individuals and those seeking employment, and unemployment is the percentage of those in the labor force that are unemployed. When the unemployed portion of the labor force stop seeking employment, they remove themselves from the labor force and decrease unemployment.
- **Marshall:** Martinsville has 11.8% unemployment, which is significantly better than in previous years. Are they actually doing better in terms of employment, or are people simply leaving the labor force and no longer applying for jobs?
 - **Waddell:** At the county level, we do not have that information on labor force, and no if people are actively seeking work.

VI. Arts District Development

- **David Rau, Principal, 3North:** Our company provides a variety of architectural and design services; and we have primarily been involved in three projects in Richmond: 1) Quirk, a small gallery on Broad Street, has decided to expand the gallery to include a hotel. They hired us to renovate a building, the old Mosby Dry Goods Store, which is a historical, well preserved department store. There will be a variety of indoor and outdoor improvements to the building, all of which will be receiving rehabilitation tax credit through the Department of Historic Resources and the IRS.
 - 2) There is another proposal to redevelop a couple blocks to the west of Quirk. This area has commercial buildings that have been converted to apartments, and these units are part of a very low end of the market, that tends to define that area.
 - We would like to see a more diverse crowd enter that area. The concept was to renovate an empty corner lot, in the hope to turn it into a

community hub (with parking, pool, gym, etc.) and to aggregate smaller housing units around it.

- 3) The intersection of Belvedere and Broad is the busiest and most dangerous intersection in the city of Richmond. We propose building a roundabout at this intersection as both a gateway into the arts district and a way to lessen fatalities at this intersection.
- The United States Department of Transportation undertook a massive study about roundabouts, recommending roundabouts to reduce accidents and fatalities in American cities. Roundabouts don't stop crashes, but limits the fatalities, as accidents tend to be "side-swipes", not "T-bones."

VII. Public Comment

- **Matt Bruning, Virginia Bankers Association:** Referencing the P.A.C.E legislation from earlier, we do not have a formal position. We are working through internal procedures, and will have a formal position to share with stakeholders by the end of this week. We look forward to continuing working on this issue.

VIII. Adjourn

- Upon hearing no request to comment, **Senator Locke** adjourned the meeting at 11:45 AM.